Rethinking Disadvantage Session 3 Notes for Teachers

Overview

The aim of the 'Rethinking Disadvantage: Research in a Box' module is to enable participating students actively to engage with the historical and ideological basis of their and others' disadvantage. The module seeks to demonstrate, in the first three sessions, that the reasons for groups or individuals being disadvantaged are often arbitrary. This third session seeks to examine and address the structural forces that perpetuate disadvantage, discussing an area in which these forces are most visible: economic policy. After highlighting the link between political choice and economic inequality, the session examines ways in which we can develop political means of challenging disadvantage and inequality.

Across the globe, the gap between rich and poor widens ever further. In many developed countries, levels of inequality today are the highest since the beginning of records. According to a recent OXFAM report, the world's eight richest men own the same wealth as the poorest 3.6 billion – half the world's population (Hardoon 2017). The negative impact of inequality on society has long been the subject of scholarly enquiry. In 1754, Jean-Jacques Rousseau wrote that the disappearance of natural equality corresponds to the growth of slavery and misery (Rousseau 2003). Ever since, a number of thinkers have argued that we should be worried about economic inequality because it produces two distinct, but related, evils: i) the loss of freedom and ii) unhappiness or ill-health which can emerge as a consequence.

In the first instance, economic inequality breeds social inequality. If there are large disparities in income, notions of equal citizenship lose their value. A good example of this can be seen in the United States: in 2014, the Supreme Court overruled the $123,000 cap on campaign donations over any two-year election cycle because it believed that it stood in violation of the First Amendment. According to this ruling, using personal funds to influence the electoral process is a form of speech. It is important to understand that wealthy individuals or corporations are unlikely to spend large sums of money exercising their 'speech' without expecting some sort of return. If governments feel indebted to particular individuals and favour particular policies (e.g. a lower top-band of income tax or laxer environmental regulations) based on this 'debt', then it is clear that extreme wealth can be translated into extreme political power that corrupts the very basis of democracy – the one person, one vote principle. If, accordingly, governments pursue policies that favour those who can afford to spend more money in the electoral process, this inevitably reduces the *political* and *social* standing of those who are already *economically* disadvantaged.

To create a better understanding of the link between disadvantage and economic inequality – and the reasons why it not only persists but increases – we will examine first the origins of inequality, recapping some content from the first three sessions. We will then trace the historical development of economic inequality in the United Kingdom. After showing that inequality in the UK is a political choice, we will outline and discuss four alternatives to neoliberal economic policy: Keynesianism, planned economies, libertarianism, and democratic confederalism.

Note: The first six slides give a brief overview of inequality and economic inequality in the UK. They may be a useful recap of the previous sessions but should be tailored around the requisites of each group. If all five sessions are delivered within a short period of time, there should be no need to go into too much detail.

The nature and implications of economic inequality: Slides 2-3

Economic inequality is most clearly demonstrated through people's relative positions within the economic distribution – that is, their level of pay, income, or wealth. Our economic position is related to many other characteristics, such as gender, ethnicity, disability, or the region in which we live. Why does economic inequality matter? Because it also leads to social inequality. Greater inequality does not only affect the worst-off, however. Research shows that countries with higher levels of inequalities have lower life expectancies, higher obesity rates and higher HIV infection rates (Wilkinson and Pickett 2006). Extreme economic inequality has also been linked to worsening social relationships within societies. Levels of social cohesion, the freedom of citizens from the effects of crime and the status of women all decrease as the income gap widens (Daly et al. 2001; Elgar 2010; Elgar and Aitken 2011; Kawachi et. al. 1999).

While it is often argued that redistribution through taxes and benefits hampers economic growth by disincentivesing work, research indicates that it is high levels of income inequality which have a negative impact on economic growth. The OECD (2014) explains this with the poorer population's inability to invest in education.

While the link between absolute poverty and disadvantage is obvious, economic inequality is also inherently linked to disadvantage. Those near or at the bottom of the income distribution face serious health and social problems which prevents them from taking advantage of opportunities to enhance their economic position. If we believe that hard work should be rewarded and economic inequality precludes equal opportunity then we ought to challenge inequality. Generally, states have two tools to deal with inequality: Re-distribution (taxes and transfers) and non-redistributive policies (e.g. public education, minimum wage). While the former is an explicit means of addressing inequality, the latter aim at equalising pre-redistribution income. Ultimately, the gap between the rich and the poor narrows in both cases.

Why do inequalities exist and persist? – Slide 4

There are various ideological and practical explanations for inequalities within a market context:

Neoclassical economics: Disadvantages arise because of differences in value added by labour, capital and land. In a market society, profits (and consequently wages) are determined by the value that each actor adds to the product. Thus, income inequality reflects the way in which the market attributes productivity to higher-paid professions and lower-paid professions. This is justified by meritocratic principle: the most talented and most determined ought to earn the most. However, what counts as talent is shaped socially within unequal contexts and even if there were an objective basis to identifying and attributing value to talent, the initial unequal distribution of land or capital may negatively impact a person's prospects of pursuing a highly-valued career path. Put simply, wealthy people can afford to send their children to better schools and then universities than poor people, creating opportunities that the latter are unable to access.

Note the often arbitrary definition of value: while some professions, such as teaching and nursing, may require a high level of education and great deal of effort, they may still be paid less than those who do not require a great deal of education, such as professional football. This is not to say that being a professional footballer does not require a high level of dedication and training, but their pay may not reflect the 'value' they add to society. The fact that the talent upon which their career is based is the result of a 'natural lottery', makes claims of 'meritocracy' problematic (see Rawls 1999).

Marxism: Marxists argue that rising levels of inequality are the inevitable consequence of 'automation' and 'capital deepening'. Under pressure to maximise profits and minimise costs, businesses continuously seek to replace workers with capital equipment (machines), meaning that fewer workers are required to create the same amount of capital. This gives rise to a 'reserve army of workers' who depend on capitalists for survival. The surplus in available workforce exerts a 'downward pressure' on wages. The income (rent) of those who own property or capital rises while the working class faces stagnating or decreasing wages, trapping disadvantaged people in an ever more painful condition of poverty

Perhaps we can find reasons for economic inequality without referring to any particular ideology? Rather than accepting a particular view and trying to see the entire world through this ideological lens, it might be more useful to examine various factors that lead to inequality and then examine how those factors can be changed politically.

Family/Inheritance: This factor is pretty straightforward – if you are born into a wealthy family (or society, for that matter), you are more likely to have a high income, life expectancy and quality of life than someone who is born into a poor family (or society). The reasons for this are also more or less clear: the wealthier your parents, the more they can invest in your education and well-being. Children born into low-income families achieve lower grades in school (CPAG 2016) and are disproportionately exposed to environmental toxins, inadequate nutrition and violent crime (Huffman and Mehlinger 2000; Mather and Adams 2006; National Center for Children in Poverty 1999).

Technology: While scientific and technological progress has raised the standard of living for large portions of humanity, technology or 'mechanisation' may be one of the main causes of rising levels of inequality. The idea that technological developments harm manual workers - particularly lower-skilled workers or those without formal qualifications - is not new. In the early 19th century, the Luddites, a group of English textile workers, destroyed industrial equipment which threatened the jobs and livelihoods of skilled workers by allowing lower-skilled labourers to replace them (Conniff 2011) Similarly, in 1830, agricultural labourers in Southern England destroyed threshing machines which displaced them (see Chambers and Mingay 1969; Harrison 1989) Today, a similar process threatens a range of professions in industrialised countries. Frey and Osborne (2017: 265) suggest that up to 47% of US jobs are subject to the threat of 'mechanisation' or 'automation' by 2050. Even if this estimate is pessimistic, the pressures on businesses to make profits mean that the trend toward widespread replacement of skilled workers with robots or other automated systems will continue, leaving increasing proportions of society unemployed and in poverty. This leads to greater competition over skill development through education, leading to greater competition over university places, emphasising the importance of education as a means of overcoming poverty and of ensuring fair access to education for all people.

Globalisation: Proponents of free trade have long argued that the exchange of goods and services across borders leads to global integration, growth and the reduction of poverty. This view originated in the 18th century with Adam Smith's *The Wealth of Nations* (1977 [1776]) demonstrating the self-defeating nature of mercantilism, in which states regulated their own economies as means of competing against rival powers. British economist David Ricardo's (1971 [1817]) theory of 'comparative advantage' also provides an explanation of globalisation's positive impact on economic development of poorer countries. He recommended that states should only concentrate on those industries in which they are most competitive and trade with other states for all other products.

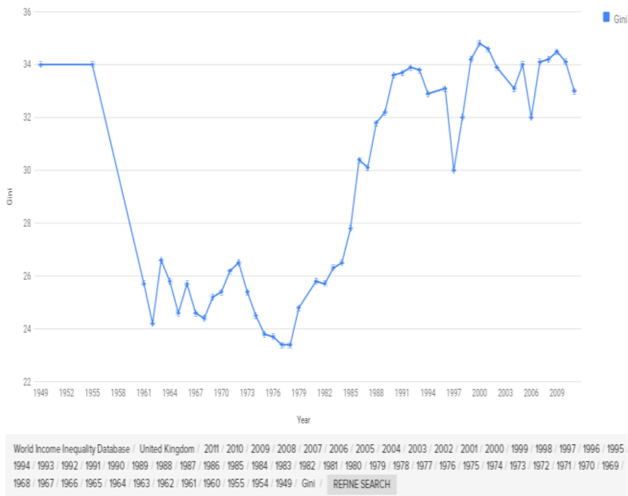
It appears, however, that, while globalisation can increase wealth overall, it can have a negative impact on economic equality. While average income has risen as a result of more global trade and the lowering of import and export tariffs, inequality within countries has risen (The World Bank 2014) Through globalisation, the wages of the workforce in one particular industry (e.g. the automotive industry) may increase, but the same does not happen for other industries. As international demand for the products of the first industry increases, the gap between workers' wages increases between industries. Those workers with skills that are valued internationally (e.g. engineers) can further offer their labour on the international labour market and experience a rise in wages. Those with skills that are less valued (e.g. farmers) do not have this opportunity. They do not share in the fruits of globalisation and may be the ones who have to pay the price that comes with an increasingly interconnected world. This again demonstrates the importance of education.

Political system: In the most basic sense, the nature of the political system we live in will inevitably have a large impact on the distribution of income and wealth. Different political systems lead to different levels of inequality. Under totalitarian regimes, for example, the ruler(s) may assign jobs, titles, and wealth to supporters of the system who will consequently be better off than opponents. Income will be distributed according to loyalty, rather than talent, merit or labour. A political system based on the notions of liberty and individual responsibility will tend to favour market-based economic policies with little or no state intervention and inequalities will arise for reasons outlined above. Similarly, if a society believes that it is the government's responsibility to provide its citizens with economic and social welfare, the government will probably pursue policies that constrain market forces and intervene when it believes that the interests of the people are being harmed - it may, for example, introduce redistributive measures such as 'progressive income taxation'.

Politics, then, is not merely one factor among many that facilitates or represses levels of (in)equality. Politics forms the bedrock of societal organisation and the wider economic system. Acknowledging the paramount importance of explicitly political decisions requires us to move away from a view that has been dominant since the rise of neoliberal economics in the 1970s and 1980s: the neat separation between 'rational', 'scientific' and 'objective' economics, on the one hand, and the inherently 'irrational' and 'subjective' discipline of politics, on the other. We cannot reasonably separate the two. There is no economic policy that is not underpinned by a political or ideological framework. If political choices are of paramount importance and are, in fact, the key determinant of any particular economic policy, then it becomes clear that economic inequality is a political choice. If we want to challenge inequality and disadvantage, we must first look at the political framework that allows inequality to exist and persist. If inequality is the result of political choices, then it can be challenged politically. To illustrate this, we will explore the impact of economic policies on inequality in the United Kingdom to outline neoliberalism more generally. The second half of this workshop then examines various alternatives to the current model.

Economic inequality in the United Kingdom (Slides 5-6)

The United Kingdom has, compared to other developed countries, a high level of income inequality. The richest 10% of the population has an average net income of £83,897, whereas the bottom 10% earn £9,277.10 (ONS 2016a) The scale of income inequality becomes much more pronounced when we look at the differences within the top-earning households. The top 1% had an average income of £253,927 and the top 0.1% had an average income of £919,823 (ONS 2016a). In addition to this, consider regional differences: Considerable variation exists in Gross Disposable Household Income (GDHI) in the UK (ONS 2016b).An average person in London has £23,607 to spend. Northern Ireland has the lowest GDHI, where an average person has £14,645. These disparities become even more obvious when we compare local areas: The average person in Kensington & Chelsea and Hammersmith & Fulham has £45,988 available to save or spend, whereas Leicester has the lowest GDHI, with the average person having £12,071. Compare this with other European countries: While Central London has by far the highest income on the continent, the average inhabitant in the West Midlands has a similar level of income as Slovakia and Romania. If you grow up in a poor area, you are more likely to suffer from illness, achieve lower grades at school and have a lower life expectancy. People growing up in South London are four times more likely to go to university than those from Hampshire (BBC News 2017).



Source: UNU-WIDER (2017)

The graph above shows the UK's Gini coefficient, an indicator of income inequality, from 1949 until 2011. It appears that we are returning to levels of inequality that were common in the pre-war and early post-WWII period. In a sense, the mid-20th Century appears to be a short and relatively successful attempt to challenge prevailing inequalities. The Keynesian post-war consensus, and Keynesianism as an alternative to the current consensus, will be explored later on.

The rise in economic inequality is the result of neoliberal reforms that have been implemented since the late 1970s. They centre upon privatisation, deregulation, fiscal austerity and free trade.

Neoliberal economic policy: Slides 7-10

Neoliberalism is most commonly associated with Britain's first female Prime Minister, Margaret Thatcher (1979-1990) and Ronald Reagan, the 40th President of the United States, who advocated smaller, more limited governments and greater individual responsibility and freedoms. This becomes evident when looking at the historical development of top tax rates, which have been dramatically reduced since the 1980s. The US top rate was around 70% throughout the post-war period, but is now 39.6%. In the UK, the top rate was 83% at the point at which Thatcher became Prime Minister in 1979, but now stands at 45%. The reforms carried out under Thatcher also led to unprecedented levels of economic inequality. In the 18 years of Conservative rule from 1979-1997 no developed state, with the exception of New Zealand, suffered a similar widening of inequality.

Many argue that there has been a shift from the post-war Keynesian to a Thatcherite/neoliberal economic consensus. Economic policies have not only been changed at the national level, but international organisations (such as the IMF or the World Bank) have promoted them across the globe – particularly since the dissolution of the USSR. It appears that most politicians and institutions have accepted the new political/economic order: Labour Prime Minister Tony Blair (1997-2007) was infamously branded the 'heir to Thatcher', while the Conservative and Liberal Democrat Coalition Government (2010-2015) response to the Financial Crisis of 2007-8 was to reduce public spending, reduce the deficit between Government income and expenditure and to introduce 'Quantitative Easing' (see Bank of England 2017)

The Financial Crisis – and the Government's response – has exacerbated the persisting inequalities. Real wages of typical (median) workers have fallen by 10% since 2008, whereas the richest have increased their share of global wealth and income. This trend is unusual in historical and international terms: real wages grew in Poland by 23%, in Germany by 14%, and in France by 11% (Allen and Elliott 2016).While real wages have fallen, public spending has been reduced in an attempt to reduce the government deficit, hitting the already worst-off hardest.

The obvious failings of contemporary economic policy has led many to search for alternatives.

Alternatives

Keynesianism (Slides 11-13): Keynesianism has seen a resurgence in interest following the Financial Crisis. Several economists and policy makers have pointed out that average economic growth was higher and unemployment lower before the neoliberal model took over (Davidson 2009; Skidelsky 2009).

As mentioned above, Keynesianism was the dominant approach to economic policy throughout the post-war period across most developed states. Its proponents hold that private sector decisions sometimes lead to inefficient 'macroeconomic' outcomes. These inefficiencies require intervention by the public sector and interventions take two main forms: 'monetary' by central banks and 'fiscal' by the government. The basic idea behind Keynesianism is, accordingly, to stimulate demand in times of recession or depression. This is necessary because even (or especially) in a free market, 'aggregate demand' is not the same as 'aggregate supply'. Demand is often influenced by other factors and behaves unpredictably. Consequently, Keynesians favour a mixed economy in which governments play a stabilising role. This macroeconomic stabilisation leads to more efficient outcomes than laissez-faire capitalism. It does not, however, warrant unlimited spending: governments should act counter-cyclical – i.e., they should save (reduce spending and increase taxes) in times of prosperity and spend (increase spending and lower taxes) in times of recession.

Some countries in Latin America have been an exception to the general increase in inequality, partly because of the region's retreat from the neoliberal orthodoxy and adoption of Keynesian, counter-cyclical fiscal policy.

It is, however, also important to point out how politicians have tended to use fiscal policy for electoral purposes. The content of the Government's Autumn (and, more recently, Spring) Statement in electoral years is telling, even in a non-Keynesian context: politicians who are keen to stay in office are unlikely to make unpopular decisions, such as increasing taxation. If politicians are driven not only by the desire to benefit their constituents, but also by opportunistic motives, it is debatable whether economic policy can be made on the basis national interest and not electoral considerations (see Franzese 2002; Lockwood et. al. 1996)

Keynesianism in the UK: It is generally accepted that the United Kingdom, like most developed countries, adopted a collectivist/Keynesian economic consensus in the post-war period that lasted until the late 1970s. These 'Golden Years' of capitalism saw higher growth rates and lower unemployment rates than the post-consensus years, while economic inequality between the richest and poorest decreased. Keynesianism's very success in ensuring that workers could expect to see their wages grow continuously also turned out to be its downfall. Higher wages contributed to higher rates of inflation, and with British consumers increasingly spending their income on foreign goods or holidays abroad, the negative balance of trade further destabilised the United Kingdom's economy. James Callaghan attempted to reduce inflation by capping public sector's wage growth, which resulted in widespread strike action during the 'Winter of Discontent'. Public dissatisfaction with the country's poor economic performance ultimately paved the way for Margaret Thatcher's electoral success and implementation of monetarist reforms in 1979. In addition to the deficits of the post-war Keynesian consensus, it is noteworthy that several historians (see Pimlott, Kavanagh and Morris 1989) dispute the existence of the consensus or at least play down its role significantly. They argue that its merits were overplayed by those on the Left in an attempt to create nostalgia for the Attlee years while Tories sought to emphasise the 'radical change' brought upon by Margaret Thatcher.

Image on slide 12: Emergency site for rubbish during the 'Winter of Discontent'.

Planned Economies (Slides 14-15): Proponents of planned economies follow the same basic arguments as Keynesians: actions of individual actors that may seem rational and sensible at the local level may lead to undesirable outcome at the macroeconomic level. Instead of relying on self-interest and the unpredictable fluctuations that are inherent in free markets, governments ought to stabilise the economy by allocating resources and employment and determining wages and prices. Because of their ability to see the 'bigger picture', governments can use resources more efficiently and prioritise certain projects, sectors or regions to improve the economy of the entire state. Those who favour planned economies argue that markets always lead to waste – not only because factories may produce too much, but because the capitalist system is inherently based on expansion and surpluses. Market economies can only prevail if consumerism prevails. Advertisements create the illusion that we need certain goods and subsequently evoke the *desire* to own – i.e., buy – them, even if we do not really *need* them. **See illustration on slide 15:** the USB pet rock, which does absolutely nothing.

There are several criticisms of planned economies. The belief that a central government or any other planning authority could plan more efficiently than local actors has been questioned by proponents of free markets. Capitalism does not necessarily lead to waste because consumers, as rational actors, will not waste their income on goods they do not desire – and if a product fulfils someone's desire it fulfils its purpose and should not be considered to be a waste of resources.

More fundamentally, they doubt that any central actor can ever know the sum of individual desires. The difficulty is expressed in the following example: no-one except me, as your ruler, can legitimately decide whether you should prefer green or red sweaters, and consequently whether you should spend your wages, which I have given you, on green or red sweaters. The free market is the only institution that can react to our needs and desires because every interaction is voluntarily and mutually beneficial: You would not buy a pair of sandals if you actually wanted trainers; shoe producers and sellers will want to fulfil your desire to own sneakers so they can make a living and sell sneakers instead of sandals, so you both benefit by your buying trainers. A planned economy cannot meet everyone's desires because different people want different things. We ought to take people's individuality seriously.

Furthermore, any form of central planning involves at least some degree of coercion: if the planning authority finds that steelworks ought to be prioritised over shoe production, then shoe manufacturers will inevitably be disadvantaged. If the government decides that there should be more factories in the Scottish Highlands and shuts those in the Midlands, large segments of the population will have to move against their wishes in order to sustain themselves. These are, of course, rather extreme examples and it is important to point out that governments have more subtle means of planning or influencing. Rather than forcing everyone to move north of the border it may, for example, create incentives to do so by offering grants or subsidised housing. This is the distinction between penalising and incentivising.

Exercise 1: Resource allocation (Slide 16): Split the students into groups of 4-5. Over the first 5 minutes, each group should come up with solutions for the allocation of parking spaces and justify their decision. After 5 minutes, each group should give their solution to the whole class and comment on other groups' justifications. The teacher should critically engage in this process and relate students' justifications for allocations (e.g. merit/rank/utility/etc.) to particular economic systems. The teacher should also explain why each group's choice will leave certain groups dissatisfied and voice concern over their justification. If there is time left, the teacher may introduce a twist at the end: a rare bird species has been discovered on school grounds and approximately half of the current car parks will have to be designated as conservation area. How does this affect each group's response?

The example may seem rather trivial but it introduces some key concepts: scarcity, choice, allocation of resources and adaptation of various economic systems to deal with the problem of just allocation. This short role-play should allow students to come up with top-down solutions that will inevitably leave some groups dissatisfied and enable them to problematize the potential problems in other policy areas.

Libertarianism (Slides 17-19): It is important to emphasise the difference between libertarianism and neoliberalism/monetarism. Monetarists advocate monetary policy through central banks, managing the supply side rather than the demand side. Some libertarians argue that central bank's monetarist policies are just another approach, along with demand-side management/Keynesianism, that glorifies governmental intervention (Paul 2009; see also Burton 1980).Ultimately, allowing market forces to work freely is more efficient. Neoliberalism as practiced since the 1980s is simply the most flagrant form of crony capitalism. It is not the state's responsibility to regulate the financial industry. Taxing those who are well-off destroys incentives to create wealth and ultimately harms the worst-off, who are dependent on the investments and jobs created by the wealthy. Governments should minimise their interference as much as possible and retreat from any kind of action that is not directly related to protecting life, liberty and property. The ideal state acts like a night watchman - its only legitimate purpose is to uphold law and order and taxation that funds projects apart from the protection of citizens amounts to theft. However, states have a duty to uphold the market and may intervene to prevent cartels and monopolies.

For libertarians, free markets based on private property are desirable because they are the only guarantee of individual rights. They are also the best way of eliminating poverty. There are two main libertarian approaches to economic inequality. The first is equal to Margaret Thatcher's answer in the House of Commons in the video in the PowerPoint slides: inequality is natural. As long as everyone is better off, we have no moral obligation to eliminate inequality. Libertarians emphasise, therefore, absolute gains, arguing that relative differences between citizens are largely irrelevant. The second approach is to argue that the problems that we face today are not the result of free markets, but of corruption and clientilism. It is not free markets that are failing us, but a skewed version of capitalism promoted by neoliberalism. States in the current order offer perverse incentives that prevent individuals from improving their situation. While others may argue that the wealthy are eating the whole pie at the expense of the poor, libertarians hold that the rich are doing the exact opposite: they are baking a million extra pies that help to feed everyone. An example of the welfare trap helps to explain this position: libertarians do not blame the unemployed for choosing to rely on benefits rather than seeking employment in a financially insecure and risky environment. The unemployed person is doing the rational thing by not choosing to work for a similar or minimally higher (or, in some circumstances, lower) income than they receive through welfare payments. However, if the safety net were to be removed, the poor would be forced to seek a job which will subsequently allow them to develop skills and move onwards and upwards to better-paid positions.

Libertarians question the coherence of neoliberalism as an economic and a political ideology. While it claims to be economically liberal, it often goes hand-in-hand with conservative social policies. This is evident in Ronald Reagan's war on drugs or Margaret Thatcher's prohibition of promoting homosexuality in schools through Section 28 of the 1988 Local Government Act. This social conservatism, libertarians argue, is irreconcilable with economic liberalism because the former is collectivist and assumes that society is an organic whole with shared interests whereas the latter is strictly individualist.

Exercise 2: Markets and the State (Slide 20): Again, divide the students in groups of 4 or 5 and let them discuss the questions on the slide. Allow 5 minutes of discussion within their groups followed by 10 minutes of feedback to and discussion with the entire class. Overall, are their answers to the questions on the slide coherent or do they undermine each other? Can they justify their answers? How do they define liberty and equality and why?

Note on the free market question: if students believe in a free market, do they also believe that guns and/or drugs (both recreational and medical) should not be regulated? To what extent is a free market compatible with the state's duty to guard and provide law and security?

Democratic confederalism: Rojava (Slides 21-23): Democratic confederalism has seen a surge in interest following the de facto independence of Kurdish groups in Northern Syria. It is based on the anarchist and libertarian thought of Murray Bookchin. However, we ought to distinguish between Bookchin's municipal libertarianism (see Bookchin 1987; Biehl 1998).and the libertarian ideas outlined in the previous section. There are some similarities, mainly concerning the rejection of state ownership and control and authoritarian structures, but democratic confederalism emphasises co-operativism and local collectivism. Its focus is on participatory democracy and autonomy at the local level. Rather than planning economic policy at the state level or letting the invisible hand of the market decide on prices and wages, democratic confederalism recognises the link between political and economic authority and delegates both to the local population. Political values lead to a particular economic system, and economic values must serve the political goals of each municipality. All kinds of economic activity within democratic confederalism are therefore based on local decision-making and the common good of all those who are part of the commune.

Exercise 3: Local or Central? (Slide 24): Again, divide the students in groups of 4 or 5 and let them discuss the questions on the slide. Allow 5 minutes of discussion within their groups, followed by feedback to the entire class. During the feedback, examine the feasibility of democratic confederalism in general: Can students imagine a similar form of politico-economic organisation in their town/city? What are the benefits/disadvantages of giving local populations autonomy and authority? Should a similar system be implemented? Should we care about inter-communal inequality as long as they are all self-sustaining? Look out for incoherent answers, but bear in mind that the questions are rather difficult.

Inequality: What can be done? (Slide 25): If the rise in inequality is so deeply embedded in our economic (and political) structures, can it be reversed? It will certainly be a challenge to depart from prevailing institutions, policies and relations between actors. According to the OECD, there are three main strategies: (Keeley 2015)

1. Overcome gender inequalities

2. Introduce labour market policies to address working conditions, in addition to wages, and the distribution of income

3. Focus on education to overcome inequality and disadvantage and offer economic incentives for disadvantaged people to participate in Higher Education

These changes, though, may only be cosmetic in nature. If economic inequality is the manifestation of particular political choices, then the only way to challenge inequality is to challenge it politically. If inequality leads to disadvantage, and the disadvantaged wish to improve their situation, then they ought to challenge the prevailing consensus. Maybe we all have a moral obligation to do so?

Exercise 4: How can we challenge disadvantage? (Slide 26): Again, divide the students in groups of 4 or 5 and let them discuss the questions on the slide. Allow 10 minutes for discussion within groups followed by feedback to the entire class. This final discussion will attempt to track cultural changes in approaches to the economy. It will set the scene for the following session's discussion of specific policy approaches to dealing with the problems of disadvantage.

Glossary of useful terms

Austerity: A set of economic policies aimed at reducing budget deficits through spending cuts, increases in taxation, or both. In its original meaning, austere refers to living within one's means and spends less than their annual income (see Wesbury and Stein 2010).

Collectivism: The philosophy, moral stance, or outlook that emphasises communal (rather than individual) interests.

Co-operative: A jointly-owned and controlled enterprise based on self-help, self-responsibility, equality, equity, democracy, and solidarity.

Demand: In economics, demand is the principle that describes consumers' desire and willingness to pay for a particular product or service. **Aggregate demand** is the total demand for goods and services in an economy at a given time.

Depression: A sustained, long-term downturn in economic activity, more severe than a recession.

Theories of **Distributive justice** seek to specify what is meant by a just distribution of goods among members of society (see Roemer 1996 and Walzer 1984).

Egalitarianism: The belief that people are equal; they should get the same or be treated equally. See Arneson (2013)

Gini coefficient: Represents the income or wealth distribution within a state and is the most commonly used measure of inequality.

Inflation: The rate at which the cost of goods and services is rising. Concurrently, it measures the rate at which the purchasing power of a particular currency is falling.

Laissez-faire: French for 'let them do'. A form of capitalism in which transactions between private actors are free from government interference (for example regulations, tariffs or subsidies).

Liberalism: A range of philosophical traditions that are primary concerned with individual liberty. Liberals disagree over the very definition of liberty. Consequently, the ideal of protecting individual freedom from government interference leads to a wide range of conceptions of government (see Gaus et al. 2015).

Libertarianism: A collection of worldviews that emphasises the rights of individuals to liberty, to acquire, keep, and exchange their holdings. The state's primary role is the protection of those rights. In a sense, libertarians differ from liberals because they seek as little government as possible whereas some liberals justify state intervention in more instances to uphold liberty.

Macroeconomics: The branch of economics that is concerned with the aggregate economy (rather than single factors and individual firms).

Market: A system, institution and infrastructure where parties exchange goods for other goods or currency. It can also be seen as a process by which prices of goods and services are determined.

Meritocracy: A political philosophy that holds that power should be vested according to merit – that is, ability or talent. Advancement is based on performance rather than morally arbitrary factors, such as gender or race. Some, however, argue that opportunities to develop 'merit' are not distributed equally and call for 'fair equality of opportunity' rather than 'meritocratic equality of opportunity' (see Daniels 1978 and Gomberg 2007).

Methodological individualism explains social phenomena through the motivations and actions of individual agents. All collectivises 'must be treated as solely the resultants and modes of organization of the particular acts of individual persons, since these alone can be treated as agents in a course of subjectively understandable action' (Weber 1968 [1922]: 13).

Microeconomics: The branch of economics that is concerned with the behaviour and actions of individuals and firms regarding resource allocation.

Mixed economy: An economic system that consists of a mixture of private and public ownership; free markets and planning. More commonly, it refers to market economies that are strongly regulated by governments which provide certain public goods (e.g. education or healthcare). While markets are the dominant mode of resource allocation, governments make macroeconomic decisions through fiscal and monetary policy to promote welfare and reduce the likelihood of financial crises.

Monetarism: An economic theory that emphasises governments' role in controlling the amount of money in circulation. While Keynesianism is a demand-driven model of monetary economics, monetarism's concern is the influence of money supply on national output.

Municipal libertarianism: A political philosophy developed by Murray Bookchin which asserts that a confederation of democratic citizens' assemblies at the municipal level should replace the state.

Neoliberalism: A range of market-based ideas and policies that advocate fiscal austerity, privatisation, deregulation and reductions in government spending in order to increase the role of the private sector.

Night-watchman state: A model of the state proposed by libertarians. It advocates for the state to exist only to protect citizens' life, liberty and property. The only morally legitimate reason for state intervention in citizens' lives is (e.g. taxation) is the protection of citizens. Consequently, the only legitimate governmental institutions are the military, police and courts (see Nozick 1974).

Post-war consensus: A historical model of political co-operation between the two main parties from the end of World War II until the late 1970s. It tolerated or encouraged nationalisation, a mixed economy, a comprehensive welfare state and Keynesian fiscal policy (see Addison 1994).

Recession: A decline or general slowdown in economic activity. In times of recession, GDP, household income, inflation and profits fall while rates of unemployment and bankruptcies rise.

Rights are entitlements (not) to perform certain actions or (not) to be in certain states. They are principles of freedom or entitlement and lay down the fundamental moral principles of what people are allowed to do and what is expected from them (see Leif 2015).

Scarcity: The fundamental economic problem of having insufficient resources to fill unlimited human wants and needs. There is simply never enough of anything to satisfy everyone and people must make sacrifices (e.g. trade-offs) to obtain the scarce resource they want. Scarcity requires competition over resources and systems and institutions that allocate those resources.

Supply: is a fundamental economic concept that describes the total amount, or quantity, of a certain good or service that is available to consumers. Supply is influenced by various factors, such as the price of a good, the price of comparable goods, conditions of production or government policies. **Aggregate supply** measures the total supply of goods and services produced and available to consumers.

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